

# NEW YORK STATE EDUCATIONAL CONFERENCE BOARD



ASSOCIATION  
OF SCHOOL  
BUSINESS OFFICIALS



## Prior Year Adjustments and the March 2025 State Aid Overpayment Recoveries

Our organizations, representing school boards, superintendents, and business officials, are writing to request that the FY26 state budget adopt funding and reform for the “prior year adjustment” process in funding School Aid, particularly in light of notices that many school districts around the state received last week from the State Education Department.

Prior year adjustments, or “PYAs” are an esoteric but important part of school district finances. State aid claims for school districts are a multi-year process, which straddle multiple state fiscal years. Each year the enacted budget establishes an appropriate level based on the best available estimates at that time, but since the level is enacted before the school year has even begun, those amounts will fluctuate by the time the school year is completed. Education Law provides for the majority of those changes to be paid out in current-year aid payments.

However, there are certain aid claims that are paid under a different methodology, including many of the building and transportation aid forgiveness provisions that have been enacted over the years. In these cases, changes in the aid estimate are handled in two different ways: 1) if the claim is less than the district was initially appropriated, the state will recoup the overpayment from the next payment to be made to the school district, and 2) if the claim is more than the initial estimate, the amount is placed on the “PYA queue” and is paid out on a first come, first serve basis subject to appropriation. Importantly, these are claims determined by both the State Education Department and State Comptroller to be due and owed to school districts.

That appropriation has now not been funded since FY21, so while the state continues to take back from districts any overestimates, it has not paid any funds during this time for districts whose aid was underestimated. The current PYA queue is just under \$309 million and continues to grow every year the state does not fund payment of these claims. At the same time, since the 2014-15 school year, the state has recouped \$346 million in overpayments.

Most egregiously, the lack of an appropriation for this purpose has meant that all recent aid penalty forgiveness provisions that were negotiated between the Executive and Legislature and “paid for” as part of enacted state budgets have not actually been paid to school districts. As an example, the Schenectady City School District was provided with a \$5 million forgiveness in Transportation Aid under Chapter 57 of 2012 (Part A, §16-a). To date, those forgiven aid payments sit in the queue unpaid to the school district. Without appropriation, Schenectady will never receive that \$5 million that was agreed upon in the SFY 13 Budget.

This issue has come to light in the past week as school districts around the state received notice from the State Education Department that revisions have been made to STAC-based claims from the 2011-12 through 2017-18 school years, many resulting in an overpayment that will be deducted

from the school district's March 31<sup>st</sup> aid payment. A number of districts were notified that they will receive a PYA amount, which will go on the queue that we have noted is not currently funded.

Our organizations have previously called for an annual appropriation to be restored in the FY26 state budget. However, the recent statutorily required administrative actions by SED highlight the need to revise the underlying statute in addition to the appropriation. These issues are:

- Rather than overpayments being taken from the next available aid payment to school districts, the withholding should wait until the following school year so that districts are able to budget accordingly.
- Where a district is owed a PYA claim, rather than being placed on a queue and subject to annual appropriation, all such claims should also be included in the first aid payment of the following school year, which allows the state to budget accordingly within the broader scope of general support for public schools (GSPS).
- The above changes would resolve the problems prospectively, leaving approximately \$320 million in unpaid claims in the current PYA queue. The state should budget the sum of the original \$18.7 million appropriation that was discontinued in FY21 and the average annual overpayment since 2014-15 that has been swept into the general fund each year, for a total of \$50 million. This appropriation would ensure the queue is fully paid over the next seven years and would disappear forevermore.

We hope the urgency the STAC revision notices have created among districts as they complete their upcoming school budget plans will help you consider these important reforms in the FY26 state budget.

We stand ready to assist in any way that we can. Thank you for your consideration, time, and commitment to educating all of New York's children.

*The New York State Educational Conference Board is comprised of the Association of School Business Officials New York; the Conference of Big 5 School Districts; the New York State Council of School Superintendents; New York State PTA; the New York State School Boards Association; New York State United Teachers; and the School Administrators Association of New York State.*